

VZCZCXRO0684  
PP RUEHCN RUEHGH  
DE RUEHGH #0792/01 3470921  
ZNR UUUUU ZZH  
P R 130921Z DEC 07  
FM AMCONSUL SHANGHAI  
TO RUEHC/SECSTATE WASHDC PRIORITY 6538  
RUEHBJ/AMEMBASSY BEIJING PRIORITY 1587  
INFO RUEHCN/AMCONSUL CHENGDU 1010  
RUEHGZ/AMCONSUL GUANGZHOU 0980  
RUEHSH/AMCONSUL SHENYANG 1010  
RUEHHK/AMCONSUL HONG KONG 1139  
RUEHIN/AIT TAIPEI 0829  
RUEHGH/AMCONSUL SHANGHAI 7059

UNCLAS SECTION 01 OF 05 SHANGHAI 000792

SIPDIS

SENSITIVE  
SIPDIS

DEPT FOR CA/VO AND CA/EX  
ALSO FOR EAP/CM  
BEIJING FOR DCM, CG, NIV

E.O. 12958: N/A

TAGS: [CVIS](#) [CMGT](#) [CH](#)

SUBJECT: UP, UP AND AWAY: SHANGHAI'S FY-07 VISA NUMBERS GO THROUGH THE ROOF

SUMMARY

1. (U) Consular officers in Shanghai adjudicated 16 percent more NIV applications in FY-07 than in FY-06. This follows a 19 percent increase in FY-06 over the FY-05 NIV workload, which in turn was up 20 percent over FY-04. This cable not only reports the quantitative increases but also provides a qualitative overview of Shanghai's NIV applicant pool. (Cable offering a more in-depth qualitative analysis will follow septel.) Numbers from the first two months of FY-08 indicate that these trends will continue, giving Shanghai its fifth consecutive year of double-digit growth in NIV demand. (END SUMMARY)

#### SHANGHAI NIV WORKLOAD TRENDS

2. (SBU) AmConGen Shanghai has experienced a steady increase in its NIV workload since the post-9/11 worldwide downturn in NIV demand in FY-02 and the impact of SARS across the Asia-Pacific region in FY-03. Starting in FY-04 and continuing to the present day, Shanghai's year-on-year growth rate in NIV workload has been at least 10 percent. FY-07 alone saw a 16 percent increase in overall visa demand over FY-06. Recent yearly visa applicant figures for Shanghai are shown in the table below:

Year	Number of Applicants	Change in Volume
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FY-01	101,216	
FY-02	95,965	- 5 percent
FY-03	80,079	- 17 percent
FY-04	87,921	10 percent
FY-05	105,658	20 percent
FY-06	125,907	19 percent
FY-07	146,626	16 percent

Figures available for the first months of FY-08 indicate that this double-digit increase in visa demand will continue in Shanghai, with the October 2007 NIV workload up 21 percent over October 2006, and November 2007 NIV adjudications up 19 percent over November 2006.

Month	Number of Applicants	Change in Volume
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Oct.06	9,316	
Oct.07	11,268	21 percent

Nov.06	10,222	
Nov.07	12,167	19 percent

13. (SBU) The following statistics are selected from Shanghai's FY-07 applicant pool. Standout categories among Shanghai's FY-07 NIV growth are J-1 applicants (27 percent) and petition-based applicants including H-1B and L-1 visas (36 percent). (NOTE: The numbers in this cable were generated using the NIV consular application and at-post resources. Shanghai does not process immigrant visas -- all Chinese IV cases are processed at AmConGen Guangzhou. END NOTE)

#### B-1/B-2 Travelers

14. (SBU) General business and tourism travel (B-1/B-2) continues to be Shanghai's primary visa category, representing 77 percent of the total applicant pool in FY-07. As such, this category is the primary driver of FY-07 visa demand. The demand for B-1/B-2 visas in FY-07 increased by 16 percent over FY-06 numbers, mirroring the 16 percent increase in overall NIV demand over the same period.

Year	Number of B-1/B-2 Applicants	Change in Volume
FY-06	97,744	
FY-07	113,446	16 percent

#### Student Applicants

15. (SBU) Recently, the Institute of International Education (IIE) released its "Open Doors" report on international students in the United States. The report shows that Chinese enrollment

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in U.S. tertiary institutions increased 8 percent over the past year, compared with an increase of 4 percent in general international student enrollment. IIE reported that a record 67,723 Chinese students are studying in the U.S., which represents 12 percent of the total 582,984 international student population (just 3,339 off the FY-03 all-time high of 586,323.) Of the total 67,723 Chinese students in the U.S., 15,027 (22 percent) came through Shanghai's visa section in FY-07. Shanghai saw a 19 percent increase in student visa applicants, compared with the 8 percent increase in overall Chinese enrollment. This is a reflection of the high standard of living in East China, with an increasing number of students able to qualify for visas and to afford study in the United States.

Year	Number of F-1 Applicants	Change in Volume
FY-06	12,642	
FY-07	15,027	19 percent

Generally speaking, Shanghai's student applicants fall into two distinct categories. One group is comprised of excellent students with outstanding standardized test (frequently perfect quantitative scores) and generous scholarships to well-known schools. The other group contains students without English skills who have been admitted without test scores to relatively small, lesser known (at least to Chinese applicants) schools. There is a large void between these two groups -- an absence of applicants headed to mid-sized regional and state schools.

#### Exchange and Visitor Applicants

16. (SBU) In FY-07, exchange and visiting scholar applicants seeking J-1 visas increased by 27 percent, a much greater percentage than the increase in the general visa pool.

Year	Number of J-1 Applicants	Change in Volume
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FY-06	4,222	
FY-07	5,373	27 percent

#### FY-02 Comparisons

¶7. (SBU) FY-02 is generally considered a watershed year for student and academic exchange visa applications. Due to post-9/11 safety fears and post-9/11 tightening of visa security, starting in FY-02 international students began to go someplace other than the U.S. to study -- Canada, Australia, U.K., etc. For Shanghai in FY-07, F and J applicant volume has not only returned to, but far surpassed pre-9/11, FY-01 levels.

Year	Number of F-1 Applicants	Change in Volume
FY-01	9,581	
FY-07	15,027	57 percent

  

Year	Number of J-1 Applicants	Change in Volume
FY-01	2,742	
FY-07	5,373	96 percent

#### Third Country Nationals

¶8. (SBU) As China's economic center, Shanghai has an ever-increasing expatriate community. This fact is reflected by the increase in Shanghai's third country national (TNC) visa applicants, which grew 19 percent in FY-07.

Year	Number of TNC Applicants	Change in Volume
FY-06	1,928	
FY-07	2,300	19 percent

#### Petition Travelers

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¶9. (SBU) Petition-based applications (H, L, M, O, and P categories) grew more than any other visa category in FY-07. In particular, Shanghai saw a significant increase in the number of highly skilled Chinese workers (H-1B) and Chinese managers (L-1), with a total increase in petition-based travelers of 36 percent.

Year	Petition-Based Applicants	Change in Volume
FY-06	6,359	
FY-07	8,652	36 percent

#### MANTIS Program

¶10. (SBU) Despite an increase in overall applicant volume (especially J-1 visiting scholars), Shanghai's special advisory opinion (SAO) MANTIS volume decreased by 5 percent during FY-07. In response to this decrease, Shanghai consular management queried SAO coordinators in Washington who replied that Shanghai's current SAO volume is appropriate. This implies that in the past Shanghai ConOffs had erred on the side of caution in their decisions to submit SAO requests and require MANTIS clearances.

Year	Number of Applicants	Change in Volume
FY-06	6,882	
FY-07	6,639	- 5 percent

## FAO Applicants

¶11. (SBU) Chinese applicants carry one of four kinds of passport: diplomatic, service, public affairs, or private. Diplomatic, service, and public affairs passports are collectively referred to as "official" passports and are issued to members of governmental organs or employees of state-owned enterprises on official travel. Applications from these passport holders are submitted through the provincial Foreign Affairs Offices (FAO), which ensure that the applicants generally have verified employment and are traveling for official purposes. Whereas in Beijing FAO passports constitute a quarter of the workload, Shanghai's FAO applicants represent only 15 percent of the visa pool. Although the number of "official" applicants increased only slightly (2 percent) in FY-07, FAO applicants continue to be "high maintenance" applicants -- frequently requesting expedited services and routinely expecting preferential treatment.

Year	Number of FAO Applicants	Change in Volume
FY-06	21,399	
FY-07	21,724	2 percent

## AMCHAM Program

¶12. (SBU) Shanghai is home to Asia's largest American Chamber of Commerce (AmCham). U.S. invested companies in Shanghai account for approximately one-eighth of the total of 40,000 foreign invested companies in Shanghai, amounting to USD 11.2 billion worth of investment as of August 2007. Shanghai's AmCham boasts more than 1,500 member companies, 3,600 members, and about 80 new members a month. To facilitate business with the U.S., Shanghai offers a special visa appointment process that expedites visa interviews for member companies of AmCham's Corporate Visa Program (CVP). Participation in Shanghai AmCham's CVP program is on the rise, growing 23 percent in FY-07.

Year	Number of CVP Applicants	Change in Volume
FY-06	9,450	
FY-07	11,605	23 percent

Despite a 23 percent increase in visa volume, NIV refusals for CVP applicants dropped dramatically in FY-07. This would seem

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to indicate that Shanghai is becoming more accommodating to business travelers to the United States

Year	Number of AmCham Refusals	Change in Volume
FY-06	232	
FY-07	141	- 40 percent

## Visa Refusals

¶13. (SBU) Visa officers are not just bullish about AmCham applicants. There is a perception among Shanghai visa officers that the quality of applicants in the East China region is generally improving. The FY-07 drop in refusal rates bears this out. As can be seen in the table below, both the raw refusal rate and the adjusted refusal rate (taking into account refusals subsequently overcome or waived) fell significantly from FY-06 figures:

Year	Refusals	Raw Refusal Rate	Adjusted Refusal Rate
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FY-06	33,506	36 percent	21 percent
FY-07	29,826	26 percent	14 percent

The decrease in refusals appears to have accelerated recently, as demonstrated by a comparison between October 2006 and October 2007, with a year-on-year decrease from 30 percent to 16 percent.

Month	Number of Refusals	Raw Refusal Rate
Oct. 06	2,168	30 percent
Oct. 07	1,532	16 percent

Many factors likely contribute to this decrease in refusal rates, but it would seem that the simplest explanation is that Shanghai's applicants are significantly better than many other regions in China, and are getting better all the time. TDY exchanges bear this out. In FY-07, Shanghai participated in several NIV officer exchanges with Guangzhou, Hong Kong, Taipei, Beijing, Shenyang, and other posts. Line officers say that TDY-ing out of Shanghai, and receiving TDY-ers from other areas in the region allows them to more accurately evaluate Shanghai's visa applicant pool. When push comes to shove, applicants from Shanghai are more likely to return (and overcome 214(b)) because they see greater opportunities in Shanghai than they might have in the United States.

#### Fraud Workload

¶14. (SBU) Aware of a decreasing refusal rate, Shanghai has been extra-cautious to ferret out fraud and discourage out-of-district applicants who "visa shop" at higher issuance posts. Although the number of refusals went down, the number of fraud investigations in Shanghai increased by 75 percent.

Year	Fraud Investigations	Percent Increase
FY-06	425	
FY-07	745	75 percent

Despite a decrease in refusals, Shanghai's consular district remains very economically diverse, with many impoverished regions. Eastern China's economic wave has left many people behind. There are several well-known high fraud areas, and document fraud is rampant, especially in and around the production "boomtown" of Wenzhou. As with most of China, family-based fraud is also an ongoing concern.

#### Visa Reciprocity

¶15. (SBU) Shanghai routinely issues 12-month, multiple-entry visas to Chinese nationals applying in the B-1/B-2 category. By comparison, China normally issues Americans tourists a 1-month, single-entry visa. China-wide numbers for calendar year 2006 showed that 18 percent of B-1/B-2 applicants had been issued a visa in the previous 24 months, and that 28 percent had been

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issued a visa in the previous 60 months. Based on these numbers, a significant increase in visa validity reciprocity would decrease B-1/B-2 demand (the primary visa category) by almost 40 percent. The current limited visa reciprocity not only ensures that Shanghai's visa demand will continue to outstrip its resources, but it also means Shanghai's applicant pool will see double-digit growth in FY-08, FY-09, and beyond.

JARRETT